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Economic Strength of  
Great Britain

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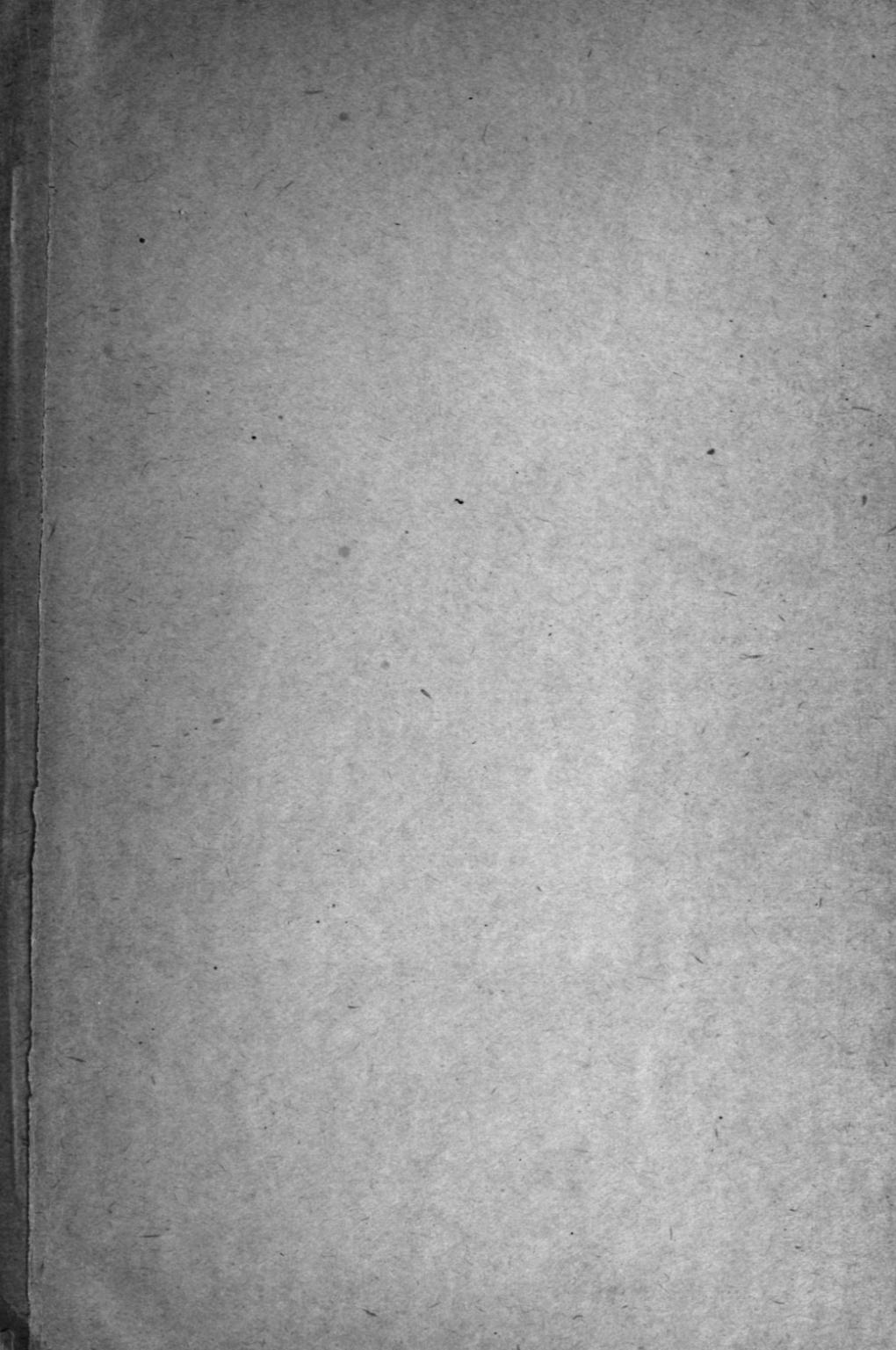
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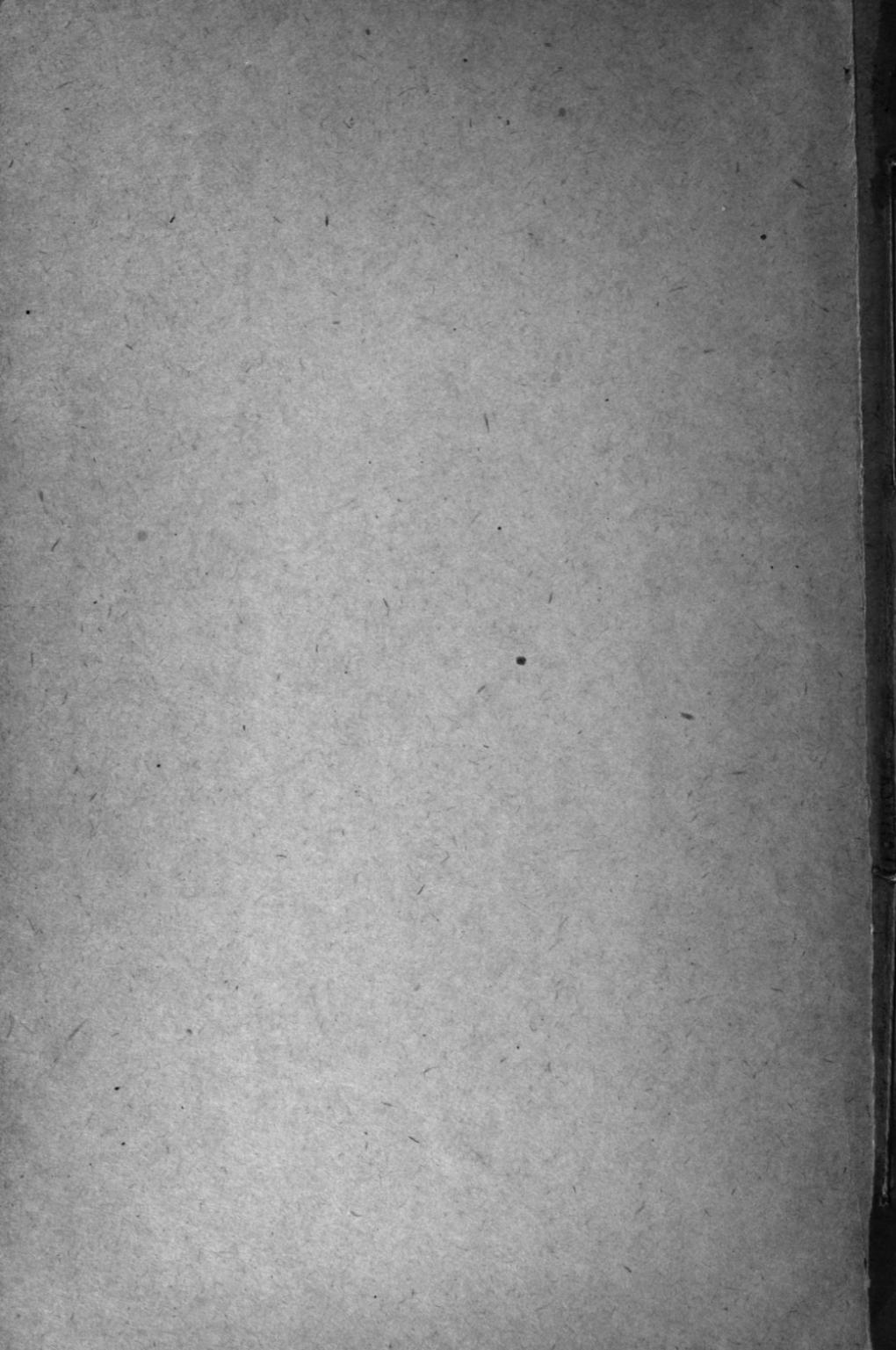
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# THE ECONOMIC STRENGTH OF GREAT BRITAIN

BY  
**HAROLD COX**

European Conflict, 1914 date

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## THE ECONOMIC STRENGTH OF GREAT BRITAIN

THAT the present war, in spite of its magnitude, has only touched the fringe of England's normal life is a fact so palpable that it has ceased to be disputed except in a few socialist papers. At the beginning of the war, in the first few days of excitement, there was a fairly wide anticipation that a great economic upheaval must result from war upon such a scale ; but as the days went by and the excitement to some extent subsided people discovered to their astonishment that the economic situation was getting better instead of worse. It has continued to get better, and even the astonishment is no longer expressed. Most people have already forgotten the terrible prophecies of economic disaster that used to be commonplaces among us in all abstract discussions upon the consequences of a European war. From the human point of view we may be shocked at the contrast between the even tenor of our own lives and the fierce struggle that is raging only a few hours distant across the Channel ; but from the economic point of view we

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have grown accustomed to the fact that the war has left this country almost scatheless.

Our streets during the working hours of the day are as fully thronged as ever ; the theatres, which were deserted in the early days of the war, are now well attended ; the music halls are crowded. As regards the definite problem of employment precise figures have been available since the establishment of the system of National Insurance against Unemployment. The insured trades include house-building and ship-building and various engineering trades in which employment in normal times is apt to be irregular. Altogether about  $2\frac{1}{4}$  million workpeople are insured, so that a fairly representative picture of the condition of employment throughout the kingdom can be obtained from the precise figures of unemployment in these insured trades. The figures show that the rate of unemployment was slightly greater during the five months March to July, 1914, than in the corresponding months of 1913. On the outbreak of war in the beginning of August the rate of unemployment rose with a bound ; but in the early days of September it began rapidly to decline and has continued to decline, till in November it practically reached the level of 1913, which was a year of remarkable prosperity. In particular, the shipbuilding trade is flourishing, and shipbuilders are said to be overwhelmed with orders for new tonnage.

As a set-off against these satisfactory conditions, there is undoubtedly a serious depression in the cotton trade. This does not, however, result in actual unemployment. The cotton trade is probably the best

organised of British industries, and it has long been the custom in that trade to deal with periods of trade depression, not by discharging employees, but by working short time. By this excellent custom the workpeople attached to each mill are kept together, and the cost of a period of depression is borne by all of them collectively—and by their employers—instead of falling with cruel severity on a few individuals. In normal times the operatives engaged in the cotton industry earn very large family incomes, so that they can face a period of reduced working time without suffering any real distress. The causes of the present depression in the cotton trade are complicated, and are not all directly connected with the war. The situation, though still bad, is considerably better than it was. The difficulties arising from the breakdown in the financial machinery of exchange with the United States are being surmounted ; the difficulty of shipping cotton goods owing to the high rates for freight and insurance which ruled at the outbreak of the war has been greatly diminished ; the improved prospects of the trade are marked by the increased quotations for shares in cotton mills.

The only other direction in which anything like a serious state of depression exists is among the professional classes and the classes engaged in producing luxuries. The closing of the Stock Exchange, for example, threw out of employment a large number of clerks. The male clerks in many cases were young enough to enlist in the army ; but the female typists were left without occupation. Architects and lawyers, actors and writers, have also found a diminished

demand for their services, and the same is true of jewellers, dressmakers and photographers. Most, however, of these sufferers from the war are middle-class people who have been in the habit of living within their means and saving for the future, so that their misfortunes, though very real, are not crushing.

That there is nothing approaching destitution in any part of the country is proved by the experience of committees voluntarily created on the outbreak of the war to deal with distress. Here, for example, is a letter which the present writer received the other day, quite casually, from a personal friend who happens to be a secretary of a "Committee for the Prevention and Relief of Distress" for the whole of one of the northern counties of England :—

"It is such a long time since I have written to you. I have been pretty busy in one way or another, but not as far as distress goes. There is practically none. So this Committee has had nothing to do except to arrange hospitality for Belgians."

On receipt of this letter, the present writer consulted the Secretary of the Charity Organisation Society and asked him whether his general experience coincided with this particular information. The reply was that he was receiving reports similar in character from all parts of the country.

These are incidental proofs of the statement with which this paper began that, while England is engaged in the greatest war the world has ever

known, her people are still enjoying with very little interruption their ordinary lives. The primary explanation of this apparently strange phenomenon is England's sea power. Owing to her command of the sea England is able to carry on the greater part of her over-sea commerce with almost the same confidence and security as in time of peace. That means that her industries are still fed with most of the raw materials they require ; that her people can still buy most of the foreign foods they are accustomed to consume ; that her manufactured goods can still be sold in most of her usual markets. What she has lost is the very important market which Germany previously offered for British goods, and the almost equally important supply of materials of various kinds produced in German factories. She has also suffered by the decreased power of her Allies to buy British goods in consequence of the interruption to their trade by the German invasion of their territory.

As against these losses must be set the stimulus which war itself gives to industry. That is a point which pacifists of the Norman Angell type completely overlooked in their pre-war prophecies of commercial ruin. War creates an immediate demand, not only for men to serve in the ranks, but also for all kinds of munitions of war, from rifles to woollen scarves, from field glasses to corrugated iron sheeting. There is consequently a direct call upon the labour market and a direct stimulus to an enormously wide range of industries. But, it ought to be asked, How can these war demands be satisfied except at the expense of other industries ? The same sovereign, it

may be argued, will not pay for both rifles and silk frocks, and if there is an increased demand for rifles and uniforms there will be a diminished demand for frocks and theatre tickets.

In the main that proposition is true ; but there is a very important counter consideration. Normally in every country there is a very considerable margin of unemployed energy. Few people are doing all the work of which they are capable ; many are doing none at all. The stimulus of war calls into activity this dormant energy, and thus to a considerable extent creates out of human resources previously unutilised the means of carrying on war. The best illustration that can be given is one that is centuries old : when the young men go to battle the old men and women gather the harvest. A similar process operates even in highly industrialised countries like England, where agriculture is relatively unimportant. There is in England an enormous leisured class of rich or moderately rich people ; there are also many hundreds of thousands of men engaged in different types of employment, whose work can be temporarily laid aside or transferred to other men who will work longer hours ; and finally, there is a very considerable number of men who are close to the poverty line because they cannot in time of peace find regular work. These considerations explain how it is possible for England to put an extra million recruits into training and to expand her production of all munitions of war without trenching upon her industrial powers of production.

But there remains the question of payment. From

what sources are these men and their munitions paid for? To some extent, as already indicated, they are paid for out of money which would otherwise go to maintain what may be called the luxury trades. The money saved on frocks and jewellery helps to feed the war loan. But England has other resources of a peculiarly valuable character. In most years there is a steady outflow of capital from Great Britain to finance railways and other industrial enterprises throughout the world. The probability is that this outflow will for the present almost entirely cease, and that an appreciable amount of foreign invested capital may be recalled. So far as this operates, the capital to finance the war will be available without checking the supply of capital to domestic industries. To put the same proposition more broadly, just as England has a margin of human material, so she has an immense margin of capital. The income of her citizens from foreign investments alone is almost equal to the sum raised by taxation towards meeting the peace expenditure of her Government. She is thus in a position to face without any severe strain the expenditure which war may involve.

As regards Government finance in particular, one or two facts are worth noting. Both France and Germany have for many years past been rapidly adding to their national debts even during years of peace; on the other hand, Great Britain, except in time of war, lives within her means and pays off debt steadily. In the eleven years that have elapsed since the closing of the accounts for the Boer War,

the gross aggregate liabilities of the British Government have been reduced by more than £90,000,000, or at the rate of about  $8\frac{1}{4}$  million pounds a year. In the budget for the current financial year the provision made for the reduction of indebtedness was at approximately the same rate. The maintenance of a sinking fund of this magnitude is a proof that England's public finance—in spite of the somewhat lavish expenditure of the past few years on social reforms—is essentially sound. Of the general strength of her economic position there can be no question. If further proof were needed, it is to be found in the response made to the Government's appeal for a war loan of the unprecedented amount of £350,000,000. The closing of the Stock Exchange prevented the speculative subscriptions which are the usual accompaniment of the issue of a big loan; it also prevented the raising of money by the sale of other securities. Yet, in spite of these obstacles to success, the whole sum asked for, with a satisfactory margin over, was promptly subscribed.

(Signed) HAROLD COX.



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